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POLICY BRIEF

Provincial Climate Funds: Breaking Pakistan's Implementation Deadlock

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PROVINCIAL CLIMATE FUNDS: BREAKING PAKISTAN'S IMPLEMENTATION DEADLOCK

1. BACKGROUND

Pakistan's climate ambition has grown at a pace that feels increasingly detached from the country's institutional reality. Our first Nationally Determined Contribution in 2016 asked for $40 billion. Five years later, that figure more than doubled. By the time NDC 3.0 was submitted last September, the target had reached an unprecedented $565.7 billion. Spread across a decade, this implies an annual funding requirement larger than the combined development budgets of the federation and all four provinces. Our mitigation targets have expanded just as dramatically. The 20 percent emissions reduction pledge of 2016 has been replaced with a 50 percent target by 2035, supported by promises of 60 percent renewable energy and 30 percent electric vehicle penetration. On paper, Pakistan appears determined to transform its economy. On the ground, the country continues to move in the opposite direction.

Nine years after our first NDC, emissions are still rising. Coal-fired power has expanded despite renewable commitments, and electric vehicle adoption remains negligible. Our vulnerability has been exposed twice in three years, first during the 2022 floods that affected 33 million people and required $16 billion in reconstruction, and again during the 2025 floods. These back-to-back disasters, arriving even as NDC 3.0 was being finalised, reveal a deeper failure that cannot be explained by financing gaps or technical limitations alone. The usual explanations point to donors withholding climate finance or ministries lacking capacity. Both views contain fragments of truth, but neither touches the core of the problem: Pakistan's federal government has been making climate commitments in sectors that the Constitution explicitly assigns to the provinces.

2. POLICY ANALYSIS

The 18th Constitutional Amendment devolved the most climate-sensitive sectors to provincial governments. Agriculture, irrigation, water management, land use, forestry, environmental protection and disaster response all became provincial subjects. Provinces gained full legislative and executive authority over these domains. They control budgets, design programmes, approve PC-1s and run the administrative machinery. Yet all three NDCs were written as centralised federal documents, led by the Ministry of Climate Change, with provinces participating only marginally. They were invited to consultations,

not to decision-making. This constitutional mismatch created an implementation void. Federal ministries can announce ambitious targets at international conferences, but they have zero authority to enforce them. They cannot direct provincial agriculture departments to adopt climate-resilient seeds, instruct irrigation authorities to modernise water systems or compel provincial disaster management authorities to upgrade early warning networks.

The scale of this disconnect is visible in the numbers. Provincial development budgets for fiscal year 2025-26 totalled Rs2,869 billion, nearly triple the federal PSDP allocation of Rs1,400 billion. These funds finance thousands of projects in climate-sensitive sectors. Yet provincial Planning and Development Departments do not screen PC-1s for climate impacts or NDC alignment. Projects move forward with no reference to national commitments.

Punjab illustrates the problem clearly. Despite receiving the largest National Finance Commission allocation and facing severe water stress, the province has not operationalised the Punjab Water Act 2019, legislation meant to establish integrated water resource management. Six years after approval, the Act remains dormant. Sindh faces severe coastal vulnerability, yet its massive NFC transfers have not translated into meaningful coastal adaptation. For provincial chief secretaries and planning departments, the NDC reads like an unfunded federal mandate, a document written elsewhere, assigning responsibilities without resources. Provinces inherit obligations they did not set, through processes they did not shape, without the fiscal space to act. Announcing a $565.7 billion conditional pledge is politically effortless. The federal government earns international credit for ambition, while the burden of implementation falls on provinces or on hypothetical future climate finance. Provincial governments, driven by short electoral cycles, prioritise projects that deliver immediate political visibility. Roads, employment schemes and social programmes dominate. Climate adaptation that unfolds over years rarely competes.

3. POLICY RECOMMENDATIONS

- The deadlock begins to loosen only when financing finally moves in the same direction the Constitution already pointed us toward. Even now, Islamabad is busy creating new federal climate funds. They add to the alphabet soup but not to implementation. The problem has never been the absence of federal funds. It has been the absence of provincial ones. Provincial Climate Resilience Funds place the financing where the 18th Amendment placed the responsibility. Each province would operate its own fund drawing on concessional finance from multilateral development banks, provincial budget allocations, private co-investment and carbon revenues. The condition of access is not a signature on a form. It is a provincial climate commitment grounded in the sectors the province actually controls, backed by vulnerability assessments, costed targets and monitoring systems that answer to provincial legislatures rather than federal ministries. This pulls ownership back to the place the Constitution already assigned it, instead of leaving provinces carrying responsibilities they never formally agreed to.

- Climate action must also be anchored where climate impacts are felt. Municipal and district governments are the first responders to heat stress, urban flooding, water scarcity and coastal erosion. Projects shaped and carried by local governments tend to work; the ones pushed down from above rarely survive first contact with reality. A coastal resilience initiative in Sindh, for example, would carry far more weight if Karachi Metropolitan Corporation contributed resources, if fishing communities helped shape mangrove restoration and if carbon credit revenues flowed directly back to the people who protect the coastline.

- Private investors stay away from markets they cannot make sense of, and provincial climate projects still look like a blur to them. They are too small, too poorly prepared and too exposed to political risk to attract institutional investors on their own. Provincial funds change that calculation by taking the first loss, preparing projects to bankable standards and assembling dispersed initiatives into portfolios large enough to evaluate seriously. A mangrove restoration project in Thatta and a solar irrigation scheme in Dera Ghazi Khan are invisible individually. When these scattered projects are gathered, prepared properly and backed with real guarantees, they stop looking like isolated experiments and start resembling something investors can actually treat as an asset. That is how small provincial pilots stop dying quietly and begin maturing into real programmes.

- Existing international mechanisms can reinforce this shift. The IMF's Resilience and Sustainability Facility already embeds climate policy actions, but these are currently treated as technical checklists and rarely trigger actual coordination between federal ministries and provincial departments. Similarly, World Bank and ADB loans are negotiated federally but implemented provincially, a structural disconnect that weakens both ownership and outcomes. If these international flows were channelled through provincial funds and tied to provincial climate plans, the incentives that have been absent for a decade would finally come into play.

4. CONCLUSION

Pakistan's climate risks are intensifying across every province. Extreme weather events are becoming more frequent and more destructive. These impacts are local, and the responses must be local, designed, funded, and implemented by the governments that constitutionally control those sectors. NDC 3.0, despite its unprecedented financial scope, will repeat the failures of its predecessors unless Pakistan finally confronts the institutional contradiction at the heart of its climate governance. Pakistan has written three NDCs from Islamabad for problems that must be solved in Lahore, Karachi, Quetta, and Peshawar. The 18th Amendment already settled where responsibility lies. The federal government simply needs to stop governing as if it did not.

Based on presentation made at 'Decentralizing Climate Action: Unlocking Local Governments' Role in Climate Finance,' held at the IBA Karachi, as part of Day 3 of Climate Week Karachi 2026.